

Message Text

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ACTION EUR-08

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C O N F I D E N T I A L BONN 21558

LIMDIS

E.O. 11652: GDS
TAGS: PFOR, ETRD, GW SF
SUBJECT: POSSIBLE FRG SALES TO SOUTH AFRICA

REF: BONN A-373

1. ACCORDING TO FONOFF OFFICIAL IN POSITION TO KNOW, UNNAMED GERMAN COMPANY PLANS TO BID ON CONTRACT TO SUPPLY DM 750 MILLION WORTH OF ELECTRICAL EQUIPMENT TO SOUTH AFRICA. IF COMPANY SUCCEEDS IN GETTING CONTRACT, HE SAID THE FRG MAY BE FORCED TO RECONSIDER ITS POLICY AGAINST GIVING EXPORT GUARANTEES FOR GOODS DESTINED FOR SOUTH AFRICA.

2. HE SAID THAT FRG BAN ON GUARANTEES HAS NOT BEEN MUCH OF AN INHIBITING FACTOR SINCE SAG'S RECORD OF PAYING ON TIME AND IN FULL HAS BEEN EXCELLENT AND BUSINESSMEN CONSIDER ATTENDANT RISKS MINIMAL. THE REASON GUARANTEES MIGHT BE SOUGHT IN THIS CASE IS PROBABILITY THAT CONTRACT WOULD ENCOMPASS TEN YEAR PERIOD, WHICH IN COMPANY'S VIEW IS RISK AGAINST WHICH IT WOULD LIKE TO INSURE ITSELF. THIS MIGHT BE POSSIBLE
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SINCE, AS OUR SOURCE POINTS OUT, BAN ON GUARANTEES IS NOT IRON-CLAD.

3. COMMENT: WHILE OUR CONTACTS IN THE ECONOMICS MINISTRY DO NOT DENY THAT SUCH A DEAL COULD BE IN THE MAKING, THEY MAINTAIN THAT THERE IS NO STANDING FRG

POLICY AGAINST GIVING EXPORT GUARANTEES TO SOUTH AFRICA.
ACCORDING TO THESE CONTACTS, SUCH CREDITS ARE BEING
APPROVED ROUTINELY. BEFORE BEING GRANTED, HOWEVER, THIS
GUARANTEE WOULD HAVE TO BE APPROVED -- AS WOULD ANY
OTHER OF SUCH MAGNITUDE -- BY HERMES COMMITTEE ON
WHICH THE FONOFF AND ECONMIN ARE REPRESENTED. AT THAT
TIME, QUESTIONS OF FINANCIAL RISK AND A MYRIAD OF FOR-
EIGN POLICY AND DOMESTIC FACTORS WOULD HAVE TO BE
CONSIDERED.
STOESSEL

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